HIGHLIGHTS

WEEK ENDING: NOVEMBER 2, 1990

INDUSTRY WEEKLY SALES

- This week's volume of 11.2 billion units exceeded the industry's estimated going rate by 1.2 billion units as accounts continued to build-up additional inventory in anticipation of a 4th quarter price increase.

PM WEEKLY SALES & SHARE

- This week's volume of 4.6 billion units was above PM's going rate, as accounts continued for the third consecutive week to purchase excess inventory on speculation of a 4th quarter price increase.

- PM's weekly share of 41.2 was slightly below average due to the varying manufacturer terms, while its year-to-date share of 41.7 was within a normal range.

MONTHLY SALES

PHILIP MORRIS - October's volume of 19.3 billion units was +7.9% above year-ago levels (+4.1% calendar adjusted). Several factors contributed to this monthly advance.
- Forward buying in anticipation of a 4th quarter price increase and Federal Excise Tax increase.
- Calendar differences, with one more shipping day this October.
- Additional purchases in advance of a $2.75/M Bristol price increase effective 10/22/90.
- Bucks promotional volume the W/E 10/26/90.

INDUSTRY - October's sales of 47.5 billion units exceeded year-ago levels by +1.4%. While the industry benefited from a strong PM performance and calendar differences, RJR's more restrictive allocation terms (averaging 105% per week this October versus 125% last year) may have partially offset these factors.

MANUFACTURER ALLOCATION PROGRAMS

- **Philip Morris** - Accounts continue to be limited to 120% of an average week's volume on all brands except, Bucks, FVB and test brands, which are limited to reasonable quantities.

- **R.J.R.** - Effective the W/E 9/7 and until further notice, accounts are limited to a maximum of 210% of an average week's volume during pre-defined two week periods (105% per week). RJR's current allocation period runs from the W/E 11/2 to 11/9.

- **Brown & Williamson** - Effective the W/E 9/21 and until further notice, accounts are limited to a maximum of 125% of an average week except Capri, which is limited to 115%.

- **American** - Reported to have placed accounts on a 130% allocation.

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Source: https://www.industrydocuments.ucsf.edu/docs/jtjm0004

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Cumulative excess inventory through October is estimated at approximately 4.9 billion units.

Philip Morris exceeded the Third Revised Forecast by 2.4%, or 450 million units for the month and quarter-to-date.

PM's monthly share of 40.7 was somewhat understated due to varying program terms of the manufacturers, while its year-to-date share of 41.7 was within a normal range. PM's strong October performance resulted in a share gain versus year ago of +2.4 points.

Industry - October's sales of 47.5 billion units exceeded year-ago levels by +1.4%. While the industry benefited from a strong PM performance and calendar differences, RJR's more restrictive allocation terms (averaging 105% per week this October versus 125% last year) may have partially offset these factors.

DEVELOPMENTS

- On 10/27/90, Congress approved the Budget Reconciliation Act of 1990, which imposes Federal Cigarette Excise tax increases of $0.04 per pack on January 1, 1991 and an additional $0.04 effective January 1, 1993. This act imposes floor taxes on inventory held at both the wholesale and retail levels, thereby eliminating the tax incentive to forward buy.

- According to sources in the wholesale trade, Lorillard will be test marketing Style, January 1991. Markets are expected to be Hartford and Texas. The brand reportedly will come in three packings and will have continuous $3.00 carton coupons.

- According to sources in the wholesale trade, and verified by Field Sales, non-couponed Doral 1/2 cartons are being sold in select areas in Kansas.

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